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REAL ESTATE

Vol. 2, No. 10

OUTLOOK

October 1989

A Monthly Forecast for the Economy and Real Estate

FORECAST SUMMARY

- The aggregate measure of the nation's economic activity, the Gross National Product, advanced at a 2.5% annual rate in the second quarter of 1989, 0.2 percentage points slower than originally estimated by the Commerce Department. Downward revisions to consumption and government spending were only partially offset by upward revisions to trade and investment.
- Data on production in the current quarter is mixed, with many indicators suggesting the economy may have grown stronger for a brief period in the summer. Fears of a recession beginning in 1989, seem to have faded.
- The producer price index for finished goods fell 0.4 percent in August, a repeat of the July report. Most of the plunge in prices is due to much lower energy prices. For the first eight months of 1989, consumer prices have advanced at a 4.8 percent annual rate, compared to a 4.4 percent rise for the same period in 1988.
- Starts of privately owned housing units plunged 5.0 percent in August, to an annual rate of 1.353 million units, and were 7.3 percent below their August 1988 annual rate of 1.459 million units. Single-family starts fell to 1.003 million units, down 2.5 percent from the July 1989 annual rate of 1.029 million units, and 6.8 percent below their August 1988 annual rate of 1.076 million units.
- The pace of new single-family home sales was virtually unchanged in August at an annual rate of 755 thousand units. The August rate was a full 6.0 percent higher than the August 1988 rate.
- Existing single-family home sales rebounded in August to an annual rate of 3.44 million units, 3.3 percent above the July revised annual rate of 3.33 million units. August existing home sales were down 6.8 percent from the 3.69 million unit annual rate of August 1988.
- The median existing single-family home price declined in August to $94,900, off 1.9 percent from the July median price of $96,700. However, on a year-over-year basis, the August 1989 median price was 3.7 percent higher than the August 1988 median price of an existing home.

IN THIS ISSUE

NATIONAL ASSOCIATION OF REALTORS®
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Forecasting & Policy Analysis Division
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GIMME SHELTER:

Economic Commentary

by
John A. Tuccillo
Chief Economist and
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Real Estate Finance

The storm is threatenin'
My very life today
If I don't get some shelter
I'm gonna fade away.
Oh, Children
It's just a shout away ...

Well, the epitaph for homeownership has been written yet again. In what is becoming a steady stream of journalistic and semi-scholarly opinion on the prospects for housing markets and homeownership, there is a growing sentiment among commentators that the Nineties will be a decade of collapsing home values and falling homeownership rates. These commentaries should be taken seriously but not too seriously. George Will once commented, on the occasion of the Greenspan Commission report on the Social Security System in 1983, "Every five years or so, we fix Social Security for the next fifty years." So too with homeownership: its death knell has been rung so often that the bell is worn out.

The public pessimism about housing and homeownership stems from two distinct roots. The first of these is the decline in homeownership rates that occurred during the Eighties, and, more specifically, the drastic fall in the rate for young households. In part, this is cultural: young households formed at later ages, wed later, bore children later and sought homeownership later. In part, the decline represented the affordability problem facing first-time buyers particularly in higher cost markets. The run-up of home prices relative to incomes in those markets left a hangover of frustrated would-be owners trying to clear a formidable downpayment barrier. The net result of both these forces was a nine percentage point decline in the homeownership rate for young households, a figure responsible for virtually all the decline in the national rate this decade.

But if the past provides one seed of pessimism, the future contributes yet another. After the baby boom generation passes from the scene, a much smaller population group takes its place. And simple extension of that fact suggests a falling demand for houses and declines in housing values. While this is a bit simplistic, it has gained great currency lately due to a study put out by the respected National Bureau of Economic Research. Clearly, while there may be little fire, there certainly is a lot of smoke.

I think it's necessary to blow away some of the smoke and take a look at the real state of housing, present and future. First, the bad news. Young households living in high cost markets have been largely shut out of the housing opportunities that were within the reach (with some effort) of their elders. In short, there is an affordability problem that affects thousands of young families. Moreover, by the turn of the century there will be fewer households seeking to become homeowners. Up to this point, I am in complete agreement with the housing pessimists.

Now for a different interpretation of these facts. It says here that, while the housing sector heads into a long downturn around the turn of the century, the Nineties ought to be a banner decade for the industry. Why?

1.The boomers are aging (I). As they age, they will increase their savings. Together with the shrinking (in terms of GNP) Federal deficit and the build-up of the Social Security trust fund, this will push interest rates down over the next five to seven years.

2.The boomers are aging (II). Those who have been locked out of homeownership will find the door opening as they grow older. The leading edge of the baby boom, moving through peak earning years, will provide increased demand for second homes, usually with an eye toward retirement.

3.The busters are lucky. Yes, there are fewer people in the post-1964 generation. But that means a brighter economic future. In the Eighties, people in the 18-25 year old age group lost nearly a third of their purchasing power. In the Nineties, folks of the same age group will gain that back. Their housing behavior will be more effective than a simple projection of household numbers would lead you to expect.

Please be careful. As good as the Nineties look, a cliff looms at the end. As we move to the 21st Century demand for housing will slow, and shift to smaller units in sunny climates. And REALTORS® need to plan not only to profit from the good years, but to prepare for the not good. In a sense, we're heading into the fulfillment of the old gypsy curse, "May you live in interesting times." Or, as more modern philosophers would put it:

You can't always get what you want.
But if you try
Sometimes you might find
You get what you need.

Outlook for the Economy and Real Estate

THE ECONOMIC OUTLOOK

The aggregate measure of the nation's economic activity, the Gross National Product, advanced at a 2.5% annual rate in the second quarter of 1989, 0.2 percentage points slower than originally estimated by the Commerce Department. Downward revisions to consumption and government spending were only partially offset by upward revisions to trade and investment. Profits from current production were also revised downward, by $1.3 billion, marking an $8.5 billion slide in addition to the first quarter's $23.9 billion drop. Profits after tax fell $12.1 billion following a $2 billion drop in the opening quarter of 1989. Data on production in the current quarter is mixed, with many indicators suggesting the economy may have grown stronger for a brief period in the summer. Fears of a recession beginning in 1989, seem to have been proven unfounded, lending more credence to the notion of a soft landing after several years of rapid economic growth. This soft landing is expected to bring below trend economic growth (real GNP advances below 2.5 percent), moderating rates of inflation, and declining interest rates through the end of next year.

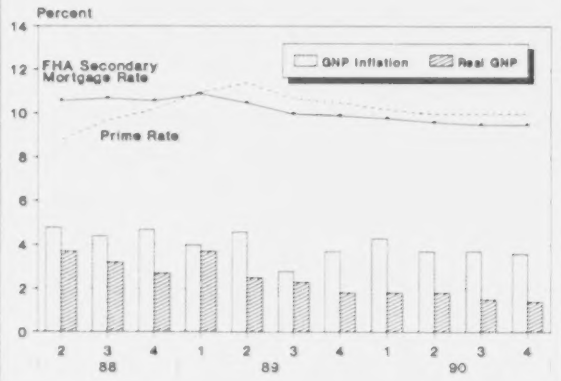
Summer Heat ...

One indicator that suggested the economy was picking up steam again was the August report on new factory orders. In that Commerce Department report, factory orders shot up 2.9 percent during the month to $237.2 billion, after having dropped 2.0 percent in July. A principal source of the surge came from a strong rise in automobile bookings as dealers requisitioned 1990 models. But the heat was on in other industries as well, as new factory orders for a wide variety of industrial goods poured in. This report suggested that the economy's manufacturing sector could be emerging from a few months in the economic doldrums. A particularly important component of the report, orders for non-defense capital goods, rose by 4.9 percent (after excluding a drop in civilian aircraft bookings). However, the overall increase in factory orders was not enough to forestall the first drop in unfilled orders in over two and a half years.

...Followed by a Cooler Fall?

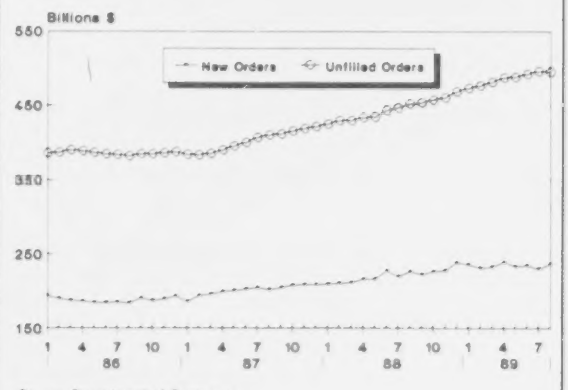
More recently, the economy appears to be sliding back from its aggressive growth posture of the summer months. For example, a September survey of the nation's purchasing managers, despite edging slightly higher in September, continues to point to a general decline in manufacturing. Specifically, the overall index rose to 46 percent in September, from 45.2 percent in August. Next to the August reading, the index is currently at its lowest level since December 1982. Generally, index readings below 50 percent indicate a decline in the economy, while those above 50 percent suggest an expansion. September data on consumer confidence as reported in a Conference Board index, shows no strong increase, but rather a leveling off at near historic highs. That index was 115.4 in both September and August, while the September 1988 reading was at 110.7. However, an appraisal of the current economic situation was weaker in September than in August, and expectations of future economic conditions were mixed.

GRAPH 1: THE ECONOMIC OUTLOOK



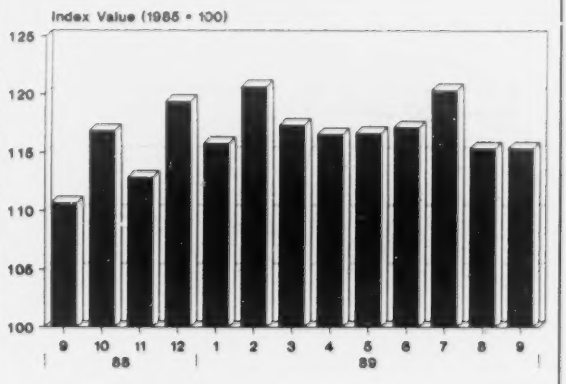
E NAR estimates

GRAPH 2: FACTORY ORDERS ADVANCE



Source: Department of Commerce

GRAPH 3: CONFIDENCE LEVELS OFF



Source: Conference Board

Slower Growth Stalls Inflation?

Indicators of cooler economic growth have recently been followed by brighter news on the inflation front. For example, the producer price index for finished goods fell 0.4 percent in August, a repeat of the July report. Most of the plunge in prices is due to much lower energy prices. During August, energy prices plummeted 7.3 percent, setting the producer price index up for its third consecutive monthly decline. Calm fell upon the consumer price front as well, where in August the consumer price index remained unchanged from its July level. The index was restrained by lower prices for gasoline and in the apparel and upkeep component. This was the third straight month in which energy price declines affected the index. But all is not really so quiet on the inflation front. Both producer prices and consumer prices actually advanced in August, if the effects of lower energy and food prices are netted out: producer prices for finished goods excluding food and energy products advanced 0.5 percent; and a similar measure shows consumer prices advanced 0.2 percent. For the first eight months of 1989, consumer prices have advanced at a 4.8 percent annual rate, compared to a 4.4 percent rise for the same period in 1988.

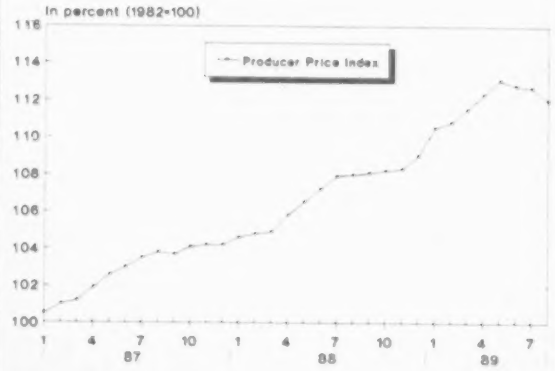
Export Boom Unaffected by Slower Growth

Despite the makings of slower growth in domestic output, and a stubbornly strong dollar, the U.S. trade deficit continues to improve, aiding the fortunes of America's export businesses. So far in 1989, the value of the dollar relative to other industrial countries has risen about 10 percent. Typically, such a rise could be expected to dampen demand for U.S. exports as they become more expensive with a stronger dollar. Instead, the export boom continues, and slower economic growth at home is making U.S. consumers shy away from expensive imported goods: the combined result is a shrinking trade deficit. The deficit fell to $7.6 billion in July, from $8.0 billion in June, and was the smallest trade gap since December 1984. The July report showed imports declining 2.5 percent, and exports slipping only 1.8 percent. Monthly swings in exports and imports are common, making no one figure worthy of extrapolating into a trend. The upshot is simple: despite greater international confidence in the U.S. dollar (resulting in a rise in its value during 1989), the value of the dollar is much lower than its 1985 peak and will likely contribute to steady, long-term improvement in the trade deficit through strong export growth, and slowing import purchases.

New Construction Spending Rises

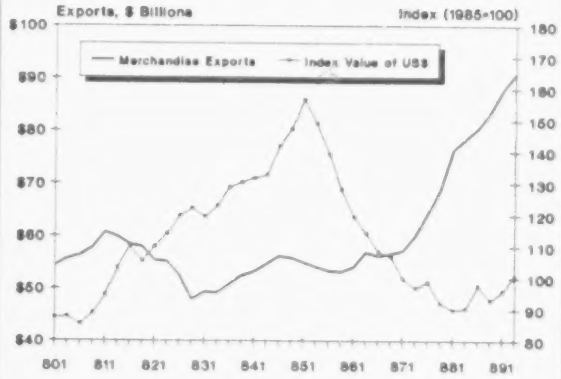
After posting two monthly declines, spending on new construction increased 1.8 percent in August, according to a Commerce Department report. Construction spending reached an annual rate of $421.8 billion in August, after slipping 0.6 percent in July and 0.8 percent in June. However, the increase was based mainly in spending on public projects, while spending for private residential projects fell slightly. After netting out the effects of inflation, construction spending increased 0.7 percent in August over the July annual rate, but was 0.6 percent below the inflation-adjusted August 1988 annual rate.

GRAPH 4: PRICES ARE FALLING



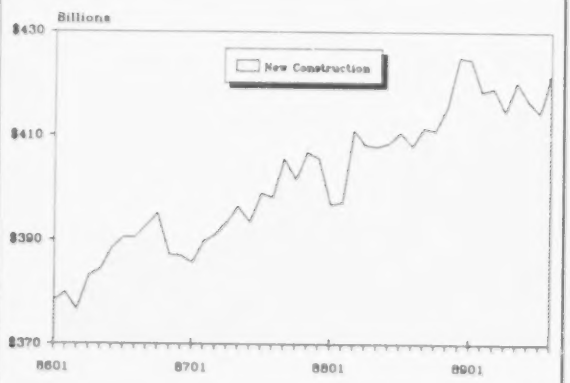
Source: Department of Commerce

GRAPH 5: DOLLAR UP, TRADE GAP SHRINKS



Source: U.S. Bureau of Census; Federal Reserve Board

GRAPH 6: CONSTRUCTION SPENDING UP



Source: Department of Commerce

HOUSING STARTS

(Seasonally Adjusted Annual Rates, in Thousands)

NATIONAL DATA

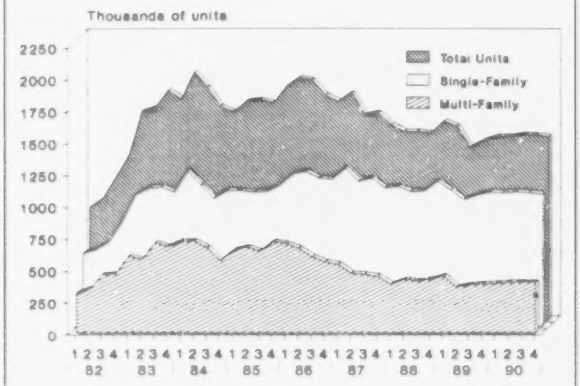
	Total	S-F	2-4	5 and up
Aug 1989	1353	1003	58	292
Jul 1989	1424	1029	57	338
Jun 1989	1406	972	55	379
May 1989	1308	977	42	289
Apr 1989	1343	1029	62	252
Aug 1988	1459	1076	59	324
Aug 1989 Changes From (%):				
Jul 1989	-5.0	-2.5	1.8	-13.6
Aug 1988	-7.3	-6.8	-1.7	-9.9

REGIONAL DATA

	Northeast	Midwest	South	West
Aug 1989	140	241	574	398
Jul 1989	195	267	532	430
Jun 1989	168	242	552	444
May 1989	176	244	513	375
Apr 1989	207	274	526	336
Aug 1988	217	239	573	430
Aug 1989 Changes From (%):				
Jul 1989	-28.2	-9.7	7.9	-7.4
Aug 1988	-35.5	0.8	0.2	-7.4

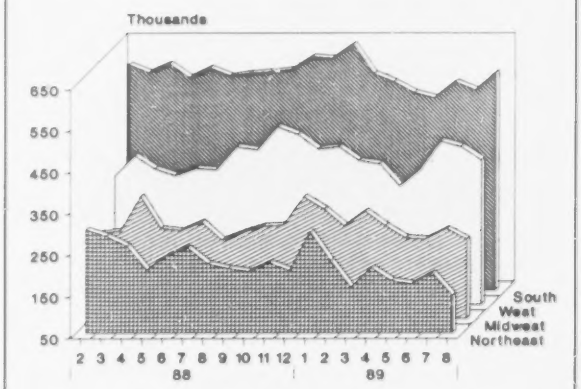
Source: Bureau of the Census; Construction Reports, Series C20

GRAPH 7: HOUSING STARTS



Source: Bureau of Census; Real Estate Outlook forecast

GRAPH 8: HOUSING STARTS BY REGION



Source: Bureau of Census

Starts of privately owned housing units plunged 5.0 percent in August, to an annual rate of 1.353 million units. The fall was the steepest since February, and total starts were 7.3 percent below their August 1988 annual rate of 1.459 million units. Single-family starts fell to 1.003 million units, down 2.5 percent from the July 1989 annual rate of 1.029 million units, and 6.8 percent below their August 1988 annual rate of 1.076 million units. It was the third monthly decline in the rate of single-family starts in the last four months. Starts of structures with 2 to 4 units rose for the third consecutive month, climbing to an annual rate of 58 thousand units in August, 1.8 percent above the July 1989 annual rate of 57 thousand units, but 1.7 percent below the August 1988 rate of 59 thousand units. Starts of structures with five or more units retreated to an annual rate of 292 thousand units, off 13.6 percent from the July annual rate of 338 thousand units, and down 9.9 percent from August 1988.

By region, only the South registered an increase in the annual rate of total starts, where they rose by 7.9 percent. In the Northeast, the trend in housing starts is still weak, where total starts reached an annual rate of 140 thousand units, down 35.5 percent from the August 1988 rate of 217 thousand units. In the Midwest, starts fell to an annual rate of 241 thousand units, down 9.7 percent from July 1989, but up 0.8 percent from August 1988. In the West, the August start pace fell 7.4 percent to 398 thousand units, 7.4 percent below August 1988.

NEW HOME SALES

(Seasonally Adjusted Annual Rates, in Thousands)

NATIONAL DATA

Aug 1989	755	Jan 1989	700
Jul 1989	758	Dec 1988	669
Jun 1989	653	Nov 1988	650
May 1989	653	Oct 1988	718
Apr 1989	607	Sep 1988	691
Mar 1989	555	Aug 1988	712
Feb 1989	621		

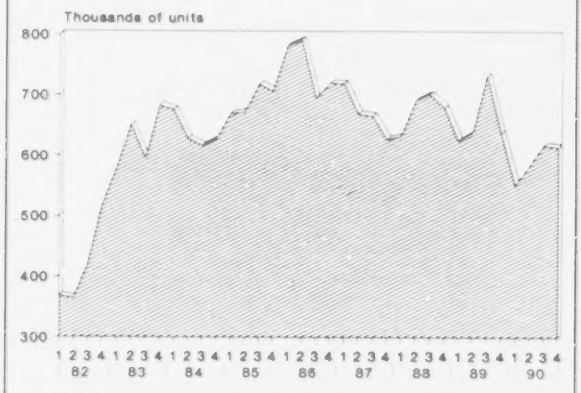
Aug 1989 Changes From:		Annual Totals:	
Jul 1989	-0.4	1987	671
Aug 1988	6.0	1988	676

REGIONAL DATA

	Northeast	Midwest	South	West
Aug 1989	107	93	310	244
Jul 1989	108	129	292	229
Jun 1989	72	102	261	218
May 1989	89	99	271	195
Apr 1989	82	99	244	182
Mar 1989	107	99	201	143
Aug 1988	100	98	300	214
1988	102	97	276	202
1987	117	97	271	186
Aug 1989 Changes From:				
Jul 1989	-0.9	-27.9	6.2	6.6
Aug 1988	7.0	-5.1	3.3	14.0

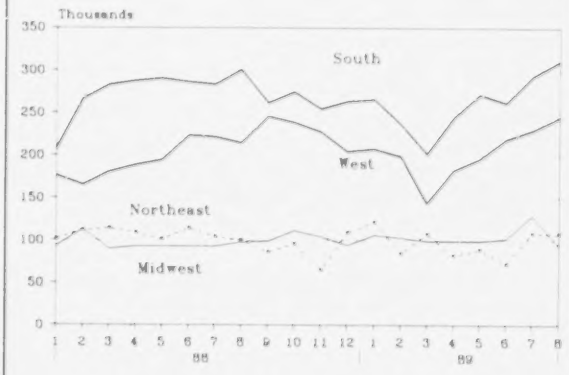
Source: Bureau of the Census; Construction Reports, Series C25

GRAPH 9: NEW HOME SALES



Source: Bureau of Census; Real Estate Outlook forecast

GRAPH 10: NEW HOME SALES BY REGION



Source: Bureau of Census

In a somewhat surprising show of strength, the pace of new single-family home sales was virtually unchanged in August at an annual rate of 755 thousand units. The rapid sales rate in August followed an even better July, when new single-family home sales were sold at an annual rate of 758 thousand units. The August rate was a full 6.0 percent higher than the August 1988 rate. In addition, while the new home sales rate slipped 0.4 percent from the July pace, the August 1989 rate was 15.6 percent above the June 1989 rate. Allowing that new home sales estimates are often given to large revisions, this report suggests that recently lower interest rates have breathed some life back into housing, now that it has weathered the steady rise in rates from early 1988 through March 1989.

By region, the South and the West were the only two regions to post increases in the annual rate of new home sales. In the South, home sales advanced 6.2 percent in August to an annual rate of 310 thousand units, 3.3 percent above the August 1988 rate. In the West, home sales rose 6.6 percent in August to an annual rate of 244 thousand units, and 14.0 percent above the August 1988 rate. In the Northeast, new home sales were virtually unchanged, falling 0.9 percent to an annual rate of 107 thousand units in August, but 7.0 percent higher than their August 1988 pace. In the Midwest, new home sales were down 27.9 percent to an August annual rate of 93 thousand units, and down 5.1 percent from August 1988.

EXISTING SINGLE-FAMILY HOME SALES

(Seasonally Adjusted Annual Rates, in Thousands)

NATIONAL DATA

Aug	1989	3440	Jan	1989	3550
Jul	1989	3330	Dec	1988	3920
Jun	1989	3360	Nov	1988	3710
May	1989	3210	Oct	1988	3680
Apr	1989	3400	Sep	1988	3650
Mar	1989	3400	Aug	1988	3690
Feb	1989	3480			

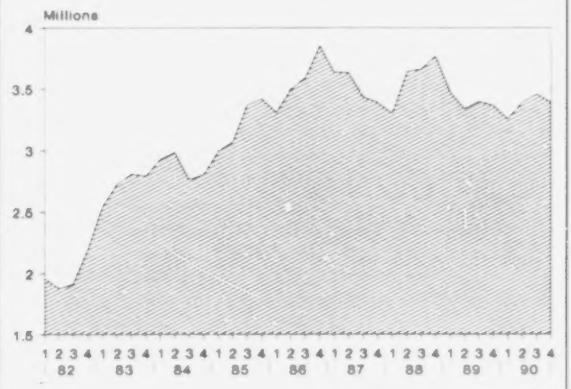
Aug 1989 Changes From (%):		Annual Totals:	
Jul 1989	3.3	1988	3594
Aug 1988	-6.8	1987	3526

REGIONAL DATA

		Northeast	Midwest	South	West
Aug	1989	590	950	1350	550
Jul	1989	550	910	1300	570
Jun	1989	510	960	1280	600
May	1989	610	810	1230	580
Apr	1989	610	890	1280	620
Mar	1989	570	870	1270	670
Aug	1988	680	930	1400	670
	1988	673	929	1350	642
	1987	685	959	1282	600
Aug 1989 Changes From (%):					
Jul	1989	7.3	4.4	3.8	-3.5
Aug	1988	-13.2	2.2	-3.6	-17.9

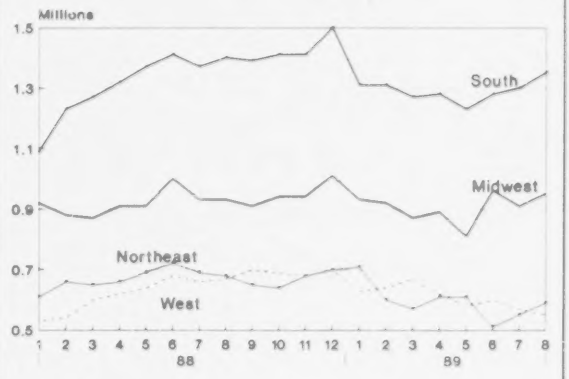
Source: NATIONAL ASSOCIATION OF REALTORS®
Economics and Research Division

GRAPH 11: EXISTING HOME SALES



Source: NAR Economics & Research; Real Estate Outlook forecast

GRAPH 12: EXISTING HOME SALES BY REGION



Source: NAR Economics & Research

Existing single-family home sales rebounded in August to an annual rate of 3.44 million units, 3.3 percent above the July revised annual rate of 3.33 million units. August existing home sales were down 6.8 percent from the 3.69 million unit annual rate of August 1988. The July-August 1989 increase raised the pace of existing home sales to their highest rate since February of this year, and increased the average annual rate of existing home sales so far in 1989 to 3.396 million units.

By region, existing home sales advanced in every region but in the West. In that region, existing home sales fell to an annual rate of 550 thousand units in August, down 3.5 percent from the July annual rate of 570 thousand units, and 17.9 percent below the August 1988 annual rate of 670 thousand units. In the Northeast, existing home sales advanced 7.3 percent to an August annual rate of 590 thousand units, but down 13.2 percent from the August 1988 annual rate of 680 thousand units. In the Midwest, existing homes were sold at an annual rate of 950 thousand units during August, an increase of 4.4 percent over the July rate of 910 thousand units, and 2.2 percent higher than the August 1988 annual rate of 930 thousand units. In the South, existing home sales advanced 3.8 percent to reach an annual rate of 1.350 million units in August, but registered a decline of 3.6 percent from the August 1988 annual rate of 1.4 million units.

SINGLE-FAMILY HOME PRICES

(In Dollars)

NATIONAL DATA

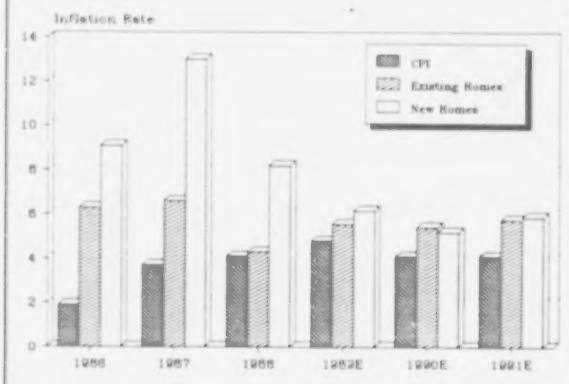
	Median		Average	
	Existing	New	Existing	New
Aug 1989	94,900	122,900	120,700	162,300
Jul 1989	96,700	116,000	122,100	141,600
Jun 1989	93,400	123,000	118,800	153,800
May 1989	92,600	119,000	118,000	145,100
Apr 1989	92,900	116,700	118,000	144,700
Aug 1988	91,500	110,000	115,400	140,600
1988	89,300	112,500	112,800	138,300
1987	85,600	104,500	106,300	127,200
Aug 1989 Changes From (%):				
Jul 1989	-1.9	5.9	-1.1	14.6
Aug 1988	3.7	11.7	4.6	15.4

REGIONAL DATA

	Northeast	Midwest	South	West
Aug 1989	148,400	72,300	87,400	139,400
Jul 1989	147,100	73,400	87,200	146,500
Jun 1989	149,900	72,000	85,000	134,500
May 1989	143,800	70,300	84,100	142,300
Apr 1989	144,000	70,400	85,200	142,700
Aug 1988	148,400	69,800	83,400	126,900
1988	143,000	68,400	82,200	124,900
1987	133,300	66,000	80,400	113,200
Aug 1989 Changes From (%):				
Jul 1989	0.9	-1.5	0.2	-4.8
Aug 1988	0.0	3.6	4.8	9.9

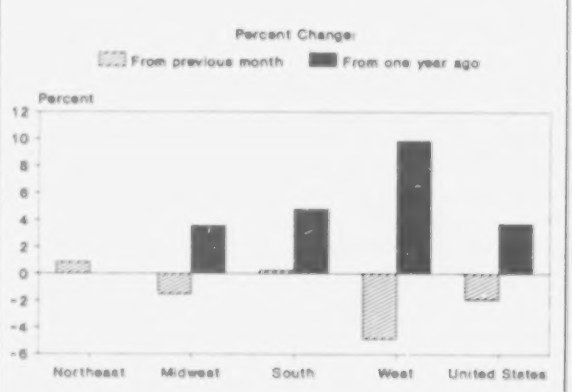
Source: NATIONAL ASSOCIATION OF REALTORS® Economics and Research Division

GRAPH 13: HOME PRICES



Source: Bureau of Census; E Real Estate Outlook forecast

GRAPH 14: HOME PRICES BY REGION



Source: NAR Economics & Research; Real Estate Outlook forecast

Despite an increase in the pace of existing single-family home sales, the median existing single-family home price declined in August to $94,900, off 1.9 percent from the July median price of $96,700. However, on a year-over-year basis, the August 1989 median price was 3.7 percent higher than the August 1988 median price of an existing home. New home prices continued their pattern of wild monthly swings, as the median price of a new home rose 5.9 percent in August to $122,900, but remained below the June 1989 median price of $123,000. The median price of a new home sold in August was 11.7 percent higher than that of a new home sold in August 1988.

By region, existing home prices moved down by 4.8 percent in the West to $139,400, but up 9.9 percent from the August 1988 level. In the Midwest, the median price of an existing home fell 1.5 percent in August to $72,300, but up 3.6 percent from the August 1988 level. In the South, the median price rose 0.2 percent to $87,400, but was 4.8 percent higher than the August 1988 level. In the Northeast, existing home prices rose 0.9 percent in August 1989, to $148,400, but were unchanged from the year ago period.

Sean A. Burns
Director of Forecasting

The *Real Estate Outlook* features a monthly summary of current economic conditions, an easy-to-read forecast for the economy and real estate, and selected reports on issues affecting the housing industry. In addition, one of the Nation's top real estate economists, Dr. John Tuccillo, gives his commentary on the state of the economy and its implications for real estate markets. If you would like to subscribe to the *Real Estate Outlook*, contact the Forecasting and Policy Analysis Division at (202) 383-1131. The annual subscription fee is $25 for members of the NATIONAL ASSOCIATION OF REALTORS® and $30 for nonmembers.

U.S. ECONOMIC OUTLOOK

OCTOBER 1989

	QUARTERS								YEARS				
	ACTUAL		FORECAST						ACTUAL		FORECAST		
	1989.1	1989.2	89.3	89.4	90.1	90.2	90.3	90.4	1987	1988	1989	1990	1991
AGGREGATE ECONOMY													
Gross National Product (billions of dollars)	5113	5202	5268	5340	5421	5495	5566	5636	4524	4881	5231	5529	5865
% Change	7.9	7.1	5.2	5.6	6.2	5.6	5.3	5.1	6.9	7.9	7.2	5.7	6.1
% Change (w/out inflation)	3.7	2.5	2.3	1.8	1.8	1.8	1.5	1.4	3.7	4.4	2.9	1.8	2.2
Consumer Price Inflation (CPI)	5.4	6.4	2.5	3.9	4.2	4.2	4.2	4.1	3.7	4.1	4.8	4.1	4.1
GNP Inflation (GNP Deflator)	4.0	4.6	2.8	3.7	4.3	3.7	3.7	3.6	3.1	3.3	4.1	3.8	3.8
Unemployment Rate - Civilian	5.2	5.2	5.2	5.2	5.3	5.4	5.4	5.5	6.2	5.5	5.2	5.4	5.5
Civilian Employment-Household Basis (millions)	116.9	117.3	117.7	118.0	118.3	118.6	118.8	119.0	112.4	115.0	117.5	118.7	119.8
Percent change	3.7	1.3	1.4	1.2	0.9	0.8	0.8	0.7	2.6	2.3	2.2	1.0	1.0
Index of Industrial Production	140.7	141.7	142.3	142.9	143.2	143.9	144.4	144.9	129.8	137.2	141.9	144.1	147.5
Manufacturing Capacity Utilization	84.4	84.4	84.0	83.8	83.7	83.6	83.6	83.6	81.0	83.6	84.1	83.6	84.0
Domestic Auto Sales	7.0	7.3	7.6	6.7	6.9	7.0	7.0	7.1	7.1	7.5	7.2	7.0	7.1
Federal Tax Receipts (NIPA) as % of GNP	20.3	20.2	20.0	20.1	20.8	20.8	20.9	20.9	20.1	19.9	20.2	20.9	20.9
Federal Expenditures (NIPA) as % of GNP	23.2	23.0	22.8	22.8	22.8	22.8	22.7	22.7	23.7	22.9	22.9	22.8	22.7
Deficit(NIPA)	-147.5	-145.4	-148.2	-141.6	-109.8	-104.8	-103.1	-103.3	-161.3	-145.9	-145.7	-105.3	-110.0
as % of GNP	-2.9	-2.8	-2.8	-2.7	-2.0	-1.9	-1.9	-1.8	-3.6	-3.0	-2.8	-1.9	-1.9
REAL ESTATE MARKETS													
HOME SALES													
Total Single-family Home Sales (thousands, single-family resales plus 97 percent of single-family starts)	4515	4300	4399	4390	4276	4416	4479	4398	4633	4650	4401	4392	4462
Percent change – year ago	3.5	-7.9	-6.2	-9.9	-5.3	2.7	1.8	0.2	-1.6	0.3	-5.3	-0.2	1.6
Existing Single-family Home Sales (thousands)	3477	3337	3400	3368	3258	3389	3460	3391	3512	3594	3396	3375	3468
Percent change – year ago	5.4	-8.4	-7.2	-10.7	-6.3	1.6	1.8	0.7	-1.4	2.3	-5.5	-0.6	2.8
Housing Starts (thousands)	1517	1352	1408	1439	1439	1454	1450	1436	1634	1495	1429	1445	1417
Percent change – year ago	2.8	-8.4	-4.0	-7.7	-5.2	7.5	3.0	-0.2	-9.8	-8.5	-4.4	1.1	-1.9
Single-Family Units	1070	993	1030	1054	1049	1058	1051	1038	1156	1088	1036	1049	1025
Percent change – year ago	-2.3	-6.2	-2.9	-7.4	-1.9	6.6	2.1	-1.5	-2.2	-5.9	-4.8	1.2	-2.3
Multi-Family Units	448	360	378	385	389	396	400	398	477	407	393	396	392
2-4 Family Units	59	53	56	57	57	58	59	59	65	59	56	58	58
Percent change – year ago	6.0	-8.1	-2.2	-13.1	-3.2	10.3	5.6	3.5	-23.0	-9.5	-4.7	3.8	-1.0
5+ Family Units	388	307	322	328	332	338	341	340	412	348	336	338	334
Percent change – year ago	19.2	-15.0	-7.6	-7.6	-14.5	10.2	5.6	3.5	-24.4	-15.6	-3.2	0.3	-1.0
New Single-family Home Sales (thousands)	625	638	733	638	551	584	617	614	673	677	658	592	639
Percent change – year ago	-0.8	-8.5	4.6	-6.1	-11.8	-8.5	-15.8	-3.7	-9.6	0.5	-2.7	-10.1	8.0
Mobile Homes Shipped (thousands)	217	202	211	214	209	209	208	209	233	218	211	209	215
HOME PRICES													
Existing Home Prices - Median $(1000)	91.2	92.9	95.6	95.7	96.0	97.9	100.9	100.9	84.9	88.9	93.8	98.9	104.6
Percent change – year ago	3.9	4.5	6.0	7.9	5.2	5.4	5.6	5.4	5.8	4.7	5.6	5.4	5.8
New Home Prices - Median $(1000)	118.0	122.2	120.9	122.5	123.9	127.8	127.9	129.1	104.7	113.9	120.9	127.2	134.7
Percent change – year ago	4.5	8.2	5.3	6.7	5.0	4.6	5.8	5.4	13.5	8.8	6.2	5.2	5.9
FINANCIAL MARKETS													
Long-Term Interest Rates													
30-year FRM (FHA Secondary)	10.9	10.5	10.0	9.9	9.8	9.6	9.5	9.5	10.2	10.5	10.3	9.6	9.9
1-year ARM (without buydown)	8.8	9.0	9.0	9.0	8.8	8.8	8.7	8.5	8.5	8.5	9.0	8.7	9.0
Corporate AAA Bond Rate	9.7	9.5	9.0	8.9	8.8	8.8	8.7	8.7	9.4	9.7	9.3	8.8	8.9
Government Bond Rate	9.0	8.7	8.1	8.1	8.1	7.9	7.7	7.7	8.6	9.0	8.5	7.9	8.2
Short-Term Interest Rates													
Federal Funds Rate	9.4	9.7	9.1	8.8	8.5	8.2	8.1	8.0	6.7	7.6	9.3	8.2	8.1
3-month T-Bill Rate	8.5	8.4	7.8	7.6	7.3	7.1	7.0	7.0	5.8	6.7	8.1	7.1	7.0
Prime Rate	11.0	11.4	10.7	10.5	10.2	10.0	10.0	10.0	8.2	9.3	10.9	10.0	10.0
Discount Rate	6.7	7.0	7.0	7.0	6.8	6.5	6.5	6.5	5.7	6.2	6.9	6.6	6.5
Value of the U.S. Dollar (Trade-Weighted Avg.)	96.0	100.4	102.2	102.4	100.4	98.1	96.0	94.6	96.9	92.8	100.2	97.2	93.2
Percent change	13.5	19.7	7.3	0.8	-7.6	-8.9	-8.2	-5.7	-13.6	-4.3	8.1	-3	-4.1

Source: Forecast produced using Laurence H. Meyer and Associates' model of the U.S. economy.
Assumptions and simulations by Dr. John Tuccillo, Dr Frederick Flick, and Sean Burns.

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